

Message Text

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ACTION IO-14

INFO OCT-01 ISO-00 CIAE-00 INR-10 NSAE-00 AID-05
ICA-11 EUR-12 TRSE-00 (ISO) W
-----121863 061050Z /13
R 060855Z SEP 78
FM AMEMBASSY PARIS
TO AMEMBASSY ROME
INFO USMISSION USUN
USMISSION GENEVA
SECSTATE WASHDC 6935

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NESCO

ROME PASS FAO

E.O.11652: N/A
TAGS: UNESCO, AORG, EFIN, FAO
SUBJECT: UNESCO: 1979-80 BUDGET

REF: A) ROME 15719 B) PARIS 3416 C) PARIS 5163
D) PARIS 18705 (1977)

1. PERM DEL NOTES SOME SLIGHT MISUNDERSTANDING ABOUT
BASIS FOR GGP BUDGET CEILING FIGURE OF DOLLARS
270 MILLION, ARRIVED AT EARLY 1978. WE APOLOGIZE FOR
NOT INCLUDING ROME AS INFO ADDRESSEE ON SEVERAL OF MORE
IMPORTANT REPORTING CABLES. WE WILL REPEAT THEM NOW FOR
YOUR INFORMATION. AT SAME TIME, IN ORDER TO MAKE PERM
DEL'S RESPONSE TO REFTEL A AS CLEAR AS POSSIBLE, WE WILL
REPEAT TEXT OF GGP'S FEB 24, 1978 DEMARCHE TO M'BOW.
FAO PERM DEL SHOULD NOTE THAT WHILE M'BOW RECEIVED
DELEGATION CORRECTLY AND LISTENED ATTENTIVELY, HE DID
NOT AGREE TO DOLLARS 270 MILLION FIGURE.

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2. BEGIN QUOTE: 270 MILLION DOLLARS IS THE MAXIMUM
WHICH THE MAJORITY OF MEMBERS OF THE GROUP COULD SUPPORT,
ALTHOUGH THEY ARE NOT FULLY AGREED ON THE IMPLICATIONS
OF CHANGES IN THE RATE OF EXCHANGE BETWEEN THE DOLLAR
AND FRANC. SOME MEMBERS OF THE GROUP WOULD SUPPORT A
FIXED FIGURE OF 270 MILLION DOLLARS WHEREAS OTHERS

MIGHT SUPPORT A DIFFERENT FIGURE IN LIGHT OF A) THE EXCHANGE RATE OPERATIVE AT THE TIME OF THE GENERAL CONFERENCE, AND B) THE CONTENT AND PRESENTATION OF THE PROGRAM AND BUDGET. END QUOTE.

3. HAVING PROVIDED THIS BACKGROUND, THE FOLLOWING RESPONSES ARE KEYED TO REFTEL A PARA 2:

A) AS DETAILED IN REFTEL B, GGP AGREED TO 270 MILLION DOLLAR FIGURE FOR DIVERGING REASONS. ONLY CONSIDERABLE FLEXIBILITY IN INTERPRETING UNDERLYING ASSUMPTIONS OF CALCULATIONS AND POLITICAL DECISION TO REACH A UNIFIED POSITION MADE A CONSENSUS POSSIBLE. FURTHERMORE, THE NETHERLANDS DID NOT JOIN THE "CONSENSUS" (REFTEL C). THEREFORE, REFERENCE WAS MADE TO "MAJORITY OF MEMBERS" IN DEMARCHE TO DG. SUMMARIZING BRIEFLY HOW 270 MILLION DOLLAR FIGURE WAS ARRIVED AT, THE FRG HAD DEVELOPED WHAT IT CONSIDERED TO BE A ZERO REAL GROWTH BUDGET FIGURE OF 270 MILLION DOLLARS AND PRESENTED IT TO GGP IN JUNE 1977 (REFTEL D). THIS WAS CALCULATED BASICALLY BY USING DG'S PRELIMINARY BUDGETARY PROJECTIONS FOR 1979-80, AND CUTTING OUT REAL PROGRAM GROWTH. CALCULATIONS WERE BASED ON CONSTANT DOLLARS AND DID NOT PROVIDE FOR EXCHANGE FLUCTUATIONS OR SUBTRACT NON-RECURRING COSTS. CONCURRENTLY, BUT INDEPENDENTLY, FRANCE DECIDED TO SUPPORT A BUDGET CEILING FIGURE WHICH LIMITED OFFICIAL USE

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WAS NEARLY THE SAME, BUT CALCULATED AS A STRAIGHT PERCENTAGE INCREASE OVER THE PREVIOUS BIENNIUM'S GROSS BUDGET. AT THAT TIME, FRANCE EXPRESSLY EXCLUDED ANY POSSIBILITY FOR TAKING INTO ACCOUNT CURRENCY FLUCTUATION IN ESTIMATING THE BIENNIAL BUDGET. AS BENELUX GENERALLY SUPPORTED FRENCH FORMULATION, AND 270 MILLION FIGURE NOT ONLY REPRESENTED POSITION OF FRANCE AND FRG BUT ALSO THE MIDDLE GROUND BETWEEN THOSE SUPPORTING HIGHER OR LOWER FIGURES, LOCAL REPS RALLIED AROUND THIS AMOUNT AS BEST POSSIBLE BASIS FOR A COMPROMISE. IN FACT, WHILE THE FRG UNDERSTOOD ITS CALCULATION AS REPRESENTING ZERO REAL GROWTH, OTHERS (UK, FOR EXAMPLE) BELIEVED IT IMPLIED NEGATIVE GROWTH, WHILE THE US BELIEVED 270 MILLION DOLLAR FIGURE INCLUDED PERCENTAGE OF REAL GROWTH AS WE HAD SUBTRACTED "NON-RECURRING" ITEMS TO ARRIVE AT A BASE FIGURE. IN SETTling ON ITS 270 MILLION DOLLAR FIGURE, THE GGP DID NOT, FINALLY, AGREE ON UNDERLYING ASSUMPTIONS OF CALCULATIONS, INCLUDING QUESTION OF HOW TO DEAL WITH CURRENCY FLUCTUATION.

B) AS INDICATED ABOVE, MEANING OF 270 MILLION DOLLAR FIGURE IN RELATION TO 1977-78 BUDGET VARIED WITH

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ACTION IO-14

INFO OCT-01 CIAE-00 ICA-11 INR-10 NSAE-00 AID-05 EUR-12

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R 060855Z SEP 78

FM AMEMBASSY PARIS

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EACH MEMBER. BASICALLY, HOWEVER, 270 MILLION FIGURE REPRESENTED PREVIOUS BIENNIUM'S BASE AMOUNT, PLUS ENOUGH TO COVER INFLATION, AND PERHAPS PROVIDE FOR A FEW PERCENTAGE POINTS OF REAL GROWTH-- DEPENDING ON ONE'S INTERPRETATION OF THE ACCEPTED RATE OF INFLATION.

C) NO. UNESCO NEVER SUBTRACTS NON-RECURRING COSTS. PROGRAMMING FORMAT IS BY "OBJECTIVES" AND IT IS ASSUMED THAT THESE OBJECTIVES ARE CONTINUING ARTICLES OF FAITH, EVEN THOUGH INDIVIDUAL PROJECTS FALLING WITHIN THEIR RUBRIC MAY HAVE TERMINATED.

D) GGP ESTIMATES WERE WORKED OUT BY GROUP AFTER CONSULTATIONS WITH SECRETARIAT OFFICIALS (WHO DID NOT NECESSARILY AGREE WITH THEM).

E) THE 1977-78 BASE PROGRAM (PARTS I-V) PLUS CAPITAL EXPENDITURE (PART VII) EQUALS ABOUT 214 MILLION DOLLARS. FOR 1979-80, ADD TO THIS BASE INFLATION COSTS DURING '77-78 (17 PERCENT OF TOTAL BASE) OR ABOUT
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36.3 MILLION DOLLARS FOR A TOTAL OF DOLLARS 250.4 MILLION, PLUS INFLATION FOR FIRST YEAR OF NEW BIENNIUM (THE "APPROPRIATION RESERVE"), ESTIMATED AT ABOUT 7 PERCENT OF PREVIOUS TOTAL, OR ABOUT 268 MILLION DOLLARS. NO GROWTH RATE IS INCLUDED (NOTE: GGP BELIEVES THAT THE DG APPLIES HIS "GROWTH RATE" AGAINST THE RAW BASE, AND THAT ADJUSTED BASE THEN BECOMES THE COEFFICIENT FOR ALL SUBSEQUENT CALCULATIONS).

F) UNESCO BUDGETS HAVE BEEN CALCULATED IN CONSTANT DOLLARS BEGINNING IN 1976, THUS PROVIDING FOR "COMPARABILITY" AND SIDE-STEPPING THE PROBLEM OF EXCHANGE FLUCTUATIONS. THUS, CURRENCY FLUCTUATIONS WERE NOT TAKEN INTO ACCOUNT IN THE PREPARATION OF THE 1977-78 BASE FOR EITHER UNESCO'S OR GGP'S SETS OF CALCULATIONS.

G) ASSUMPTIONS UNDERLYING DISCUSSIONS OF UNESCO BUDGET WITHIN UNESCO IS THAT OF A COST BASE IN CONSTANT DOLLARS, PLUS MANDATORY INCREASES (SUCH AS BUILDING COSTS OR ADDING NEW OFFICIAL LANGUAGES), PLUS CONSTANT DOLLAR AMOUNT DECIDED UPON FOR REAL (POSITIVE OR NEGATIVE) GROWTH. ONCE THESE DECISIONS ARE MADE, PROVISION MUST BE FOR INFLATION (NOT COVERED BY "APPROPRIATION RESERVE"), SINCE LAST BUDGET APPROVED, ANTICIPATED INFLATION DURING FIRST YEAR OF NEW BIENNIUM, AND FOR CURRENCY FLUCTUATION.

H) UNESCO FOLLOWS BASICALLY THIS BUDGET FORMAT DESCRIBED IN G ABOVE. US DEVIATES FUNDAMENTALLY FROM THIS FORMULATION IN SO FAR AS IT SUBTRACTS NON-RECURRING COSTS TO ARRIVE AT A BASE FIGURE, AND ACCEPTS NO REAL GROWTH, EXCEPT AS THOSE WHICH MAY BE ATTAINED FOR PROGRAMS THROUGH INTERNAL SAVINGS.
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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 jan 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: BUDGETS, INTERNATIONAL ORGANIZATIONS
Control Number: n/a
Copy: SINGLE
Draft Date: 06 sep 1978
Decaption Date: 01 jan 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 20 Mar 2014
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1978PARIS29448
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Expiration:
Film Number: D780362-0755
Format: TEL
From: PARIS
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1978/newtext/t19780998/aaaadddu.tel
Line Count: 213
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: 5278fa56-c288-dd11-92da-001cc4696bcc
Office: ACTION IO
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 4
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: 78 ROME 15719, 78 PARIS 3416, 78 PARIS 5163
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 05 may 2005
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: N/A
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 1531689
Secure: OPEN
Status: NATIVE
Subject: UNESCO: 1979-80 BUDGET
TAGS: AORG, EFIN, UNESCO, FAO
To: ROME
Type: TE
vdkgvwkey: odhc://SAS/SAS.dbo.SAS_Docs/5278fa56-c288-dd11-92da-001cc4696bcc
Review Markings:
Sheryl P. Walter
Declassified/Released
US Department of State
EO Systematic Review
20 Mar 2014
Markings: Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014